

# **Exhibit F**

C O N F I D E N T I A L

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
ADV. PRO. NO. 08-01789 (BRL)

-----x  
SECURITIES INVESTOR PROTECTION  
CORPORATION,

Plaintiff-Applicant,  
v.

Rule 2004  
Examination of:

BERNARD L. MADOFF INVESTMENT  
SECURITIES, LLC,  
Defendant.

LEON J. GROSS

CONFIDENTIAL

-----x  
In Re:

BERNARD L. MADOFF,  
Debtor.

-----x

TRANSCRIPT of testimony as taken by and before  
PATRICIA MULLIGAN CARRUTHERS, Certified Court  
Reporter, RPR, RMR, RDR, and Notary Public of the  
States of New York and New Jersey, at the offices of  
Baker & Hostetler, 45 Rockefeller Plaza, New York,  
New York on Friday, October 22, 2010, commencing at  
10:10 a.m.

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<p style="text-align: right;">24</p> <p>1 he was laid off in August?</p> <p>2 A. Yes.</p> <p>3 Q. And your understanding was that Citi</p> <p>4 was going to eliminate the derivatives group as a</p> <p>5 group with a reporting structure to management?</p> <p>6 A. I actually believe that's actually</p> <p>7 happened, so there used to be a US head of</p> <p>8 derivatives, et cetera, and the people, the</p> <p>9 employees, were still there. They just didn't</p> <p>10 report to a derivative head. They reported to a</p> <p>11 sales head, trading, so the management structure,</p> <p>12 the management structure was taken away, but what</p> <p>13 you call the line employees were still there. They</p> <p>14 just had different reporting lines.</p> <p>15 Q. You mentioned you had some concerns</p> <p>16 that the firm would survive. Can you elaborate more</p> <p>17 on that?</p> <p>18 A. There was a government bailout, so if</p> <p>19 you look from the outside I believe there were</p> <p>20 bailouts of many companies on Wall Street. They</p> <p>21 could have not made it. Lehman wasn't bailed out</p> <p>22 and didn't survive, so there was a real concern</p> <p>23 whether the company or the system would survive.</p> <p>24 Q. In your group, strategy group, was</p> <p>25 anyone tasked with monitoring Bernard L. Madoff</p>	<p style="text-align: right;">26</p> <p>1 of years, so I'm not sure exactly. It may be</p> <p>2 starting sometime in the late nineties.</p> <p>3 Q. Sometimes I try to think was it</p> <p>4 pre9-11, post9-11.</p> <p>5 A. You mean when I first met him?</p> <p>6 Q. Yes.</p> <p>7 A. I would say in the late nineties.</p> <p>8 MS. REISBAUM: Can we take a quick</p> <p>9 break?</p> <p>10 MR. FARLEY: Sure.</p> <p>11 (Recess taken.)</p> <p>12 Q. We were talking about Mr. Markopolos.</p> <p>13 You mentioned he was a customer. What was the name</p> <p>14 of his firm that he was associated with?</p> <p>15 A. We referred it to Rampart. I don't</p> <p>16 know the full name of the firm.</p> <p>17 Q. What did you understand that Rampart</p> <p>18 to be?</p> <p>19 A. They're based in Boston. They manage</p> <p>20 funds, and the part I knew was the quantitative part</p> <p>21 of the fund that used options.</p> <p>22 Q. And what were the circumstances that</p> <p>23 you first met Mr. Markopolos?</p> <p>24 A. I would frequently go to different</p> <p>25 cities in the country and meet customers on trips</p>
<p style="text-align: right;">25</p> <p>1 Securities Investment, LLC?</p> <p>2 A. No.</p> <p>3 Q. During the time that you were at Citi</p> <p>4 did anyone in your group ever prepare a report or</p> <p>5 some other analysis of BLMIS?</p> <p>6 A. No one at Citi ever asked anyone in</p> <p>7 my group to look at it. I was asked by a customer.</p> <p>8 Q. And who was that customer?</p> <p>9 A. The customer was Harry Markopolos</p> <p>10 from Rampart, so the answer was no one at Citi ever</p> <p>11 said, I want you to take a look at this, What do you</p> <p>12 think of this, et cetera. I said before that one of</p> <p>13 my responsibilities was responding to customer</p> <p>14 requests for analysis.</p> <p>15 Q. And you mentioned Mr. Markopolos,</p> <p>16 someone we'll talk about today. When did you first</p> <p>17 meet Mr. Markopolos?</p> <p>18 A. I don't know exactly when I met him.</p> <p>19 The sales people were responsible for setting up the</p> <p>20 meetings, and I would just go. I'm very good with</p> <p>21 concepts, remembering what we spoke about, but not</p> <p>22 names, dates, places; you know, this guy used to be</p> <p>23 here, the parent company is this. It's not how I</p> <p>24 look at the world, so I don't know exactly when I</p> <p>25 first met him. I would say I knew him for a number</p>	<p style="text-align: right;">27</p> <p>1 that were scheduled by the salespeople, so it was</p> <p>2 either in his office on one of those trips or in my</p> <p>3 office when he came to see the salesperson, and then</p> <p>4 the salesperson would be the person who set up those</p> <p>5 meetings.</p> <p>6 Q. Do you recall what salesperson at</p> <p>7 Citi introduced you to Mr. Markopolos?</p> <p>8 A. I know Holly Robinson covered Harry.</p> <p>9 I don't know -- I know -- Tony Miles may have</p> <p>10 covered Harry before him, but I'm not sure.</p> <p>11 Q. What do you mean by "cover" Mr.</p> <p>12 Markopolos?</p> <p>13 A. The salesperson responsible for</p> <p>14 managing the relationship between Citi and that</p> <p>15 customer. Every salesperson has a list of customers</p> <p>16 they cover, and every customer in the firm is</p> <p>17 covered by one salesperson primarily. Another</p> <p>18 person may be a backup, so there's a designation</p> <p>19 inside the firm who's responsible for a certain</p> <p>20 account.</p> <p>21 Q. What did you understand</p> <p>22 Mr. Markopolos to be doing at Rampart?</p> <p>23 A. He was doing some strategies</p> <p>24 involving options, and the reason I knew is we</p> <p>25 basically discussed some data. We were helping</p>

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<p>1 provide data for him to do certain analysis.</p> <p>2 Q. What type of data did you provide?</p> <p>3 A. The data we provided to customers</p> <p>4 primarily had to do with option pricing, option</p> <p>5 volatilities, et cetera.</p> <p>6 Q. What types of options?</p> <p>7 A. Equity options, both listed -- listed</p> <p>8 options, both on indices and individual names.</p> <p>9 Q. Did you provide him with any data on</p> <p>10 the S&amp;P 100 Index options?</p> <p>11 A. I don't know. Probably not.</p> <p>12 Q. And did you form any impressions of</p> <p>13 Mr. Markopolos when you first met him?</p> <p>14 MS. REISBAUM: When you first met?</p> <p>15 MR. FARLEY: Yes.</p> <p>16 A. No.</p> <p>17 Q. How would you describe the nature of</p> <p>18 your relationship with Mr. Markopolos over time?</p> <p>19 A. I would say no different than any</p> <p>20 other customer I spoke to.</p> <p>21 Q. And approximately --</p> <p>22 A. Does that answer your question?</p> <p>23 Q. We'll talk about it. Your answer is</p> <p>24 your answer. Approximately how many times did you</p> <p>25 meet Mr. Markopolos over the span of your tenure at</p>	<p>1 A. No.</p> <p>2 Q. Did there come a time when</p> <p>3 Mr. Markopolos and you discussed Bernard Madoff or</p> <p>4 BLMIS?</p> <p>5 A. By that, you mean the broker/dealer.</p> <p>6 Q. Yes.</p> <p>7 A. Yes.</p> <p>8 Q. And what were the circumstances</p> <p>9 pursuant to which you had this conversation about</p> <p>10 Madoff?</p> <p>11 A. He was in the office. He had come,</p> <p>12 you know, through the salesperson, and he was asking</p> <p>13 questions about -- about Madoff.</p> <p>14 Q. You said he came through the</p> <p>15 salesperson. Do you recall who that salesperson</p> <p>16 was?</p> <p>17 A. That's Holly.</p> <p>18 Q. And did he have a meeting scheduled</p> <p>19 with you that he came to New York for?</p> <p>20 A. I don't know. He wasn't in a</p> <p>21 conference room. So it wasn't as if we, you know,</p> <p>22 we had a -- a -- an agenda or a conference room, so</p> <p>23 I guess I knew he was coming, but I'm not sure it</p> <p>24 was on the calendar.</p> <p>25 Q. And who participated in this meeting</p>
29	31
<p>1 Citigroup?</p> <p>2 A. Five or six.</p> <p>3 Q. And did you have regular or frequent</p> <p>4 communications with Mr. Markopolos?</p> <p>5 A. No. I would -- I wouldn't -- didn't</p> <p>6 have his phone number. It's not as if I had a -- a</p> <p>7 -- a schedule of calling him, so if he had called to</p> <p>8 speak to me, he would probably go through the</p> <p>9 salesperson. So if -- you know, if he called, I</p> <p>10 would pick up the phone, but I would say, you know,</p> <p>11 through business -- me traveling to Boston and him</p> <p>12 coming, I may have seen him, as I said, maybe once</p> <p>13 every year or two.</p> <p>14 Q. And did you communicate with him by</p> <p>15 email?</p> <p>16 MS. REISBAUM: You mean ever or</p> <p>17 regularly?</p> <p>18 Q. Ever.</p> <p>19 A. I don't know if I sent him an email.</p> <p>20 I assume if he was asking for data, I assume</p> <p>21 somebody from my group would have sent him an email</p> <p>22 with data in it.</p> <p>23 Q. But he was not somebody you were</p> <p>24 regularly exchanging emails with, from what I</p> <p>25 understand you are saying.</p>	<p>1 with Mr. Markopolos and yourself?</p> <p>2 A. Like I said, it wasn't a formal</p> <p>3 meeting, because it was on the trading floor. It</p> <p>4 was more like a conversation, not like this setting</p> <p>5 here. So I would say it was just Harry and myself,</p> <p>6 although it was on a trading floor.</p> <p>7 Q. But there were no other people who</p> <p>8 were formally involved in your discussion.</p> <p>9 MS. REISBAUM: Objection.</p> <p>10 Q. Was it basically a conversation</p> <p>11 between you and Mr. Markopolos?</p> <p>12 A. Yes, it was, but not in a private</p> <p>13 place.</p> <p>14 Q. And did you -- and what did he say</p> <p>15 and what did you say to him?</p> <p>16 A. I don't remember the exact words.</p> <p>17 Q. What do you recall?</p> <p>18 A. I looked at a web site, which I</p> <p>19 assume he directed me to, that was probably the</p> <p>20 broker/dealer web site that had a strategy</p> <p>21 description of something involving options, so I</p> <p>22 remember looking at that. And also I remember him</p> <p>23 showing me or directing me to information about the</p> <p>24 returns of such a strategy, so the -- The discussion</p> <p>25 was, how is it possible to get these returns with</p>

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<p style="text-align: right;">32</p> <p>1 this type of strategy. That was the one part of the 2 discussion.</p> <p>3 The other part of the discussion was 4 whether people at Citi were familiar with Madoff 5 trading in the markets that we're aware of. Those 6 were the two parts of the conversation.</p> <p>7 Q. And with respect to the first part of 8 the conversation dealing with returns generated by 9 the strategy, what, if anything, did you say to 10 Mr. Markopolos about that subject?</p> <p>11 A. I don't remember the exact words.</p> <p>12 Q. What do you recall in general?</p> <p>13 A. I'm sorry. Are you asking what I -- 14 what I said to him or -- or -- or what I thought -- 15 I'm not sure exactly what you're asking.</p> <p>16 Q. I'm just trying to get your best 17 recollection of that conversation. That's all.</p> <p>18 A. Just the conversation.</p> <p>19 Q. The conversation that you and 20 Mr. Markopolos had. We can then talk about other 21 impressions you have, but I'm just trying to 22 understand --</p> <p>23 A. I remember clearing my thoughts at 24 the time. I'm not sure exactly what I said. I can 25 tell you what I was thinking at the time.</p>	<p style="text-align: right;">34</p> <p>1 that the person was buying stocks and shorting the 2 index, then the stocks must be outperforming the 3 index on a regular basis, but there was no -- if 4 that's what the person was doing, then there's 5 really no need to use the options. One could use 6 futures and there was no discussion of how that 7 stock selection actually happened.</p> <p>8 So I also thought that maybe the 9 person was using index options and individual 10 options for the different strikes because there's a 11 strategy that involves buying individual options and 12 selling index options. I thought the person was 13 doing that sort of strategy, but that wasn't it 14 either. So basically, I tried, you know, 4 or 5 15 different possibilities of saying it could be this, 16 it could be this, it could be this, it could be 17 this. And I came to the conclusion that none of 18 those really made any sense.</p> <p>19 Q. And how did you go about trying to 20 resolve these discrepancies? And I'm asking what 21 did you do? Was it something you went back and did 22 some mathematical equations? Did you just think 23 about it? I'm just trying to understand that 24 process.</p> <p>25 A. I mean, it's something I could</p>
<p style="text-align: right;">33</p> <p>1 Q. That's fine.</p> <p>2 A. I thought -- well, I first tried to 3 find out how that -- how it's possible to reconcile 4 what I saw, a discrepancy between the strategy and 5 the returns, and I tried different possibilities, 6 maybe it's this, maybe it's this, maybe it's that.</p> <p>7 Q. What was the discrepancy that you 8 thought existed?</p> <p>9 A. The -- The strategy is -- involves a 10 -- what -- it says split strike conversion or 11 reversal. I would call it a collar strategy to be 12 simpler, of owning stocks and owning a collar. So 13 if the collar is a wide collar, then it would have a 14 return series that looked very similar to the S&amp;P. 15 And if it was a narrow collar, it would have a 16 return series that would look very similar to owning 17 short dated bonds or T bills. Okay?</p> <p>18 And depending on how wide or narrow 19 it is, it would vary between being one of those or 20 the other, or a hybrid of those. And the thing is 21 it didn't look like any of those. It didn't look 22 like owning Treasuries, it didn't look like owning 23 S&amp;P, it didn't look like any mixture of those 24 things. So that was the discrepancy.</p> <p>25 The one possibility I thought was</p>	<p style="text-align: right;">35</p> <p>1 certainly do without -- without pencil and paper and 2 without a spreadsheet. It's more a conceptual issue 3 than a question of details.</p> <p>4 Q. And are you able to do this analysis 5 because of your background in derivatives and 6 options trading?</p> <p>7 MS. REISBAUM: Objection.</p> <p>8 Q. What is it that enabled you to be 9 able to look at the strategy and view a discrepancy 10 and attempt to resolve that?</p> <p>11 MS. REISBAUM: Objection.</p> <p>12 Q. You can answer.</p> <p>13 A. My understanding of the return 14 profiles of different types of strategies involving 15 equities and options.</p> <p>16 Q. And did you communicate your thoughts 17 about the returns generated by the strategy to 18 Mr. Markopolos?</p> <p>19 A. The -- my conclusion is that the 20 returns weren't generated by the strategy, they were 21 either generated by something else -- that something 22 was amiss there.</p> <p>23 Q. Did you tell Mr. Markopolos that?</p> <p>24 A. Probably, yes.</p> <p>25 Q. Do you recall telling him that day or</p>



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<p style="text-align: right;">36</p> <p>1    sometime thereafter?</p> <p>2       A.    If I told him, it was that day.</p> <p>3       Q.    Again, I'm not trying to be precise</p> <p>4    here, but approximately how long was this</p> <p>5    conversation that you had with Mr. Markopolos</p> <p>6    regarding Madoff?</p> <p>7       MS. REISBAUM: Objection.</p> <p>8       Q.    That particular day, we're talking</p> <p>9    about the time that he --</p> <p>10      A.    I would say from the time that he</p> <p>11    showed it to me, right, that probably was a -- maybe</p> <p>12    a five-minute conversation discussing it. And then</p> <p>13    I probably spent between 15 minutes to a half hour,</p> <p>14    looking at the strategy, et cetera, trying to figure</p> <p>15    it out and then probably a few minutes afterwards,</p> <p>16    you know -- he also, as I said before, he asked</p> <p>17    about the activity in the market, so the asking</p> <p>18    about that and that probably took maybe a half-hour</p> <p>19    and probably the -- the conclusion, I guess, if you</p> <p>20    want to call it that, would probably be a few</p> <p>21    minutes.</p> <p>22      Q.    Did he bring any paperwork with him</p> <p>23    and give to you --</p> <p>24      A.    I don't know.</p> <p>25      Q.    -- at this initial meeting?</p>	<p style="text-align: right;">38</p> <p>1       A.    When he asked the question, or when I</p> <p>2    got the answer?</p> <p>3       Q.    Both.</p> <p>4       A.    I don't remember exactly. I remember</p> <p>5    not knowing the answer and asking other people. And</p> <p>6    then as I usually do, you know, someone asks me a</p> <p>7    question, I find out the answer and report the</p> <p>8    answer to the person who asked the question.</p> <p>9       Q.    And who did you consult on the</p> <p>10   question of Madoff market activity?</p> <p>11      MS. REISBAUM: Objection.</p> <p>12      Q.    You can answer.</p> <p>13      A.    I would say it wasn't really a</p> <p>14   consultation. It was the type of thing where if I</p> <p>15   wanted an answer from a certain group, I would say,</p> <p>16   hey, index traders, you know, what's the price of</p> <p>17   this. And someone would shout back, as opposed to a</p> <p>18   meeting. It was more that type of informal</p> <p>19   conversation.</p> <p>20      So I remember going over to the</p> <p>21   people on the index desk and asking, has anyone</p> <p>22   heard or seen this. And the answer was no. And I</p> <p>23   remember asking salespeople, has anyone heard or</p> <p>24   seen this, and the answer was no, but it -- I guess</p> <p>25   you can call it a conversation, but it's something</p>
<p style="text-align: right;">37</p> <p>1       A.    I don't remember.</p> <p>2       Q.    You mentioned you looked at a web</p> <p>3    site.</p> <p>4       A.    Yes.</p> <p>5       Q.    Did he give you any monthly account</p> <p>6    statements or brokerage account statements to</p> <p>7    review?</p> <p>8       MS. REISBAUM: Objection.</p> <p>9       Q.    You can answer.</p> <p>10      A.    No.</p> <p>11      Q.    Just trying to find out what was</p> <p>12   exchanged and what wasn't. We'll talk more about</p> <p>13   the split strike conversion strategy during the day,</p> <p>14   but let's talk about your second portion of your</p> <p>15   conversation with Mr. Markopolos, which I understand</p> <p>16   you to say involved whether there was Madoff</p> <p>17   activity in the market, so to speak. Is that</p> <p>18   correct?</p> <p>19      MS. REISBAUM: Objection.</p> <p>20      Q.    I'm just trying to understand what</p> <p>21   you said.</p> <p>22      A.    Whether -- whether -- whether people</p> <p>23   were familiar with him trading in the market.</p> <p>24      Q.    And what did you say to him in that</p> <p>25   regard?</p>	<p style="text-align: right;">39</p> <p>1   that lasted a minute.</p> <p>2       Q.    Just so the record is clear, I have</p> <p>3   to ask you, what do you mean by the index desk?</p> <p>4       A.    Oh, we had different trading desks at</p> <p>5   Citigroup that traded different products. There was</p> <p>6   one that traded exotic options and structured</p> <p>7   products, one that traded index options, one that</p> <p>8   traded individual options, one that traded swaps.</p> <p>9   So depending on which product you trade, you go to a</p> <p>10   different group of traders.</p> <p>11      Q.    When you went to the index desk, what</p> <p>12   did you did ask them?</p> <p>13      A.    Something -- I don't know the words</p> <p>14   exactly.</p> <p>15      Q.    I'm asking -- you said, has anyone</p> <p>16   seen this and they said no. I'm trying to</p> <p>17   understand what the this and the no is?</p> <p>18      A.    Has anyone, you know, seen someone</p> <p>19   named Madoff trade in the index options, has anyone</p> <p>20   heard about someone, you know, named Madoff trading</p> <p>21   in the index options.</p> <p>22      Q.    And what was the response to it?</p> <p>23      A.    The answer was no, they hadn't. When</p> <p>24   I ask a question like that, the answer could be --</p> <p>25   the type of answers that may refer to another type</p>



<p style="text-align: right;">40</p> <p>1 of activity, not this one, may be, yes, we trade</p> <p>2 with him, no, we don't, or no, we don't trade with</p> <p>3 this person, but we're aware of the activity because</p> <p>4 of XYZ. So are the type of answers I would expect.</p> <p>5 Q. And their response was --</p> <p>6 A. No, we don't trade with him, no, we</p> <p>7 haven't seen any -- we haven't heard or seen</p> <p>8 anything about this.</p> <p>9 Q. Just to be clear, you were</p> <p>10 essentially asking him, are you aware of any S&amp;P 100</p> <p>11 Index options trading.</p> <p>12 A. No.</p> <p>13 Q. What were you asking him? I'm sorry.</p> <p>14 Again, I asked you to be patient with me at the</p> <p>15 beginning.</p> <p>16 A. The question is, do you know of a --</p> <p>17 of a counterparty named Bernie Madoff or Madoff</p> <p>18 trading this product.</p> <p>19 Q. What's the product?</p> <p>20 A. OEX options or any other index</p> <p>21 product.</p> <p>22 Q. Was your question limited to exchange</p> <p>23 traded or both over the counter and exchange traded?</p> <p>24 A. It was a general question.</p> <p>25 Q. Other than consulting Citi's index</p>	<p style="text-align: right;">42</p> <p>1 common that if I needed information, it was</p> <p>2 important that someone on the desk -- the same thing</p> <p>3 happened when someone asked research for a question.</p> <p>4 They would say, hey, research, you know, what's</p> <p>5 this, and we'd answer. And that was sufficient,</p> <p>6 they didn't really care whether the answer came from</p> <p>7 me or somebody else. I mean, that's the way things</p> <p>8 work on a trading floor, you think in terms of</p> <p>9 groups of people.</p> <p>10 Q. So to the best of your recollection,</p> <p>11 give us the general sense of what did you ask of the</p> <p>12 salespeople in regard to Madoff trading activity?</p> <p>13 A. Do you know him -- do you know -- do</p> <p>14 you know this person as a customer, someone who's</p> <p>15 active in the market.</p> <p>16 Q. And what was their response?</p> <p>17 A. The answer was no.</p> <p>18 Q. Other than the index desk and the</p> <p>19 salespeople, do you recall having any other</p> <p>20 communications or questions to any people in your</p> <p>21 quest to find the answer back for Mr. Markopolos?</p> <p>22 A. No. Those were the -- those were the</p> <p>23 people within shouting distance of me. I didn't</p> <p>24 speak to anyone else. I didn't leave my general</p> <p>25 area.</p>
<p style="text-align: right;">41</p> <p>1 desk, was there any other department or person that</p> <p>2 you questioned --</p> <p>3 A. The salespeople.</p> <p>4 MS. REISBAUM: Objection.</p> <p>5 Q. And who did you further question</p> <p>6 about Madoff market activity?</p> <p>7 A. I would say I don't know, because I</p> <p>8 asked it more to a group of people in a certain area</p> <p>9 as opposed to anyone specific.</p> <p>10 Q. And to what group did you ask that</p> <p>11 question?</p> <p>12 A. Salespeople. Equity derivative</p> <p>13 salespeople.</p> <p>14 Q. Do you recall any of the people who</p> <p>15 were in that group --</p> <p>16 A. I can tell you the salespeople who</p> <p>17 worked at Citigroup over the past ten years. I</p> <p>18 would have to sit down with each one and find out</p> <p>19 when they came and when they left in order the find</p> <p>20 out -- the answer is I don't recall at the time.</p> <p>21 Q. I'm just trying to get a sense is</p> <p>22 there anyone sticking out in your mind that said or</p> <p>23 communicated back to you in response to that</p> <p>24 question, the answer --</p> <p>25 A. The answer is no, because it was</p>	<p style="text-align: right;">43</p> <p>1 Q. Did you communicate back to</p> <p>2 Mr. Markopolos what you learned with respect to your</p> <p>3 inquiries about the Madoff market activity?</p> <p>4 A. Yes.</p> <p>5 Q. And what did you do in that regard?</p> <p>6 MS. REISBAUM: Objection.</p> <p>7 Q. Did you pick up the phone and call</p> <p>8 him, email him --</p> <p>9 A. No. He was at the time -- this whole</p> <p>10 thing happened -- I said he was there, he asked some</p> <p>11 questions. I did some, what I thought was work on</p> <p>12 behalf of the request, and then I answered the</p> <p>13 customer.</p> <p>14 Q. Was Ms. Robinson present for any of</p> <p>15 this discussion?</p> <p>16 MS. REISBAUM: Objection.</p> <p>17 Q. I'm just speaking again about</p> <p>18 Mr. Markopolos being in New York that particular --</p> <p>19 A. She would have let him in the</p> <p>20 building and seen him in and seen him out. So yes,</p> <p>21 she was present in terms of, you know, here's Harry,</p> <p>22 here he is.</p> <p>23 In terms of content, no. There's</p> <p>24 some times when we're sitting in a conference with a</p> <p>25 salesperson and the salesperson is making notes and</p>



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1 as part of meeting, we have follow up, et cetera,  
2 and that's a more formal type of meeting. The other  
3 thing was customers may speak to different people on  
4 the floor and have different conversations with  
5 nobody, you know, supervising or quarterbacking the  
6 meeting, you know, the more informal type of thing.

7 Q. Prior to Mr. Markopolos coming to New  
8 York that day, did you know that you would be  
9 discussing Madoff with him?

10 A. No. I'm not even sure I knew he was  
11 coming.

12 Q. Before you had this conversation with  
13 Mr. Markopolos that day, had you ever heard of  
14 Bernard Madoff or his investment --

15 A. I heard the name, but hadn't really  
16 associated -- There's a difference of hearing the  
17 name, right, and then knowing something about it and  
18 knowing -- I would say it was a name I may have  
19 heard or seen without being able to attribute any  
20 meaning to it.

21 Q. It had no particular significance to  
22 you.

23 A. No.

24 Q. I accept the fact that you say you're  
25 not great with dates, but can you try to give us a

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1 would do something and scribble something and throw  
2 it out. I didn't -- It's not as if, you know, if I  
3 had customer meetings, the salespeople usually take  
4 notes and I would be talking.

5 Q. You didn't have a practice of keeping  
6 a log --

7 A. I didn't have a log. Didn't have a  
8 notebook. I -- I would rely on, you know, the  
9 salespeople to manage those type of things. So the  
10 answer is I definitely don't have any notes from the  
11 meeting or there would be nothing at the end of the  
12 day that I would be able to look and see anything  
13 that says Markopolos or Harry.

14 Did I scribble on a piece of paper?  
15 I don't know. Did I open a spreadsheet and not save  
16 it, maybe I did that, but there's nothing -- there's  
17 nothing anyone could find that I could say, hey,  
18 this is a note responding to that. Did I scribble  
19 something or open a spreadsheet? I may have. That  
20 was the standard thing I may have done, but there's  
21 no recollection I have that says it's in this  
22 notebook or this file.

23 Q. Did Mr. Markopolos give you any  
24 indication as to why he was asking you these  
25 questions?

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1 sense of when this meeting took place?

2 A. It was before I left.

3 Q. That much is clear.

4 A. It was after we moved from 7 World  
5 Trade Center, so it was after the merger with  
6 Travelers. After '98.

7 Q. There's no riddle here.  
8 Mr. Markopolos has publicly said he met with you in  
9 2005. Do you have any reason to believe that that  
10 would be incorrect?

11 A. I mean, I don't have my own calendar  
12 and I don't have the ability to look at a calendar.  
13 If I had that, I could say whether that agreed with  
14 my notes or not. But the answer is I don't have my  
15 own -- no. I don't know whether that's correct or  
16 not correct.

17 Q. You mentioned notes. Do you recall  
18 making any notes of your meeting with Mr. Markopolos  
19 about Madoff?

20 MS. REISBAUM: Objection.

21 Q. You can answer.

22 A. I wasn't in the habit of keeping a  
23 notebook or notes.

24 Q. I don't either.

25 A. If -- There are many times where I

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1 A. I don't remember.

2 Q. Do you recall asking him why you need  
3 this information or having any discussion about the  
4 context of why you were providing this information  
5 to him?

6 MS. REISBAUM: Objection.

7 A. Could you repeat the question? I was  
8 looking out the window.

9 Q. I'm trying to understand, was there  
10 any discussion or context to this inquiry --

11 A. I would say if there was any context,  
12 it was a question that -- that he was -- I guess he  
13 was skeptical, would be the general context, that he  
14 had some skepticism, or to him it was a puzzle or  
15 something that needed to be figured out.

16 Q. And did you agree with his skepticism  
17 after performing your own analysis?

18 MS. REISBAUM: Objection.

19 Q. You can answer.

20 A. I'm not sure whether the skepticism  
21 he had, you know, whether he indicated he was  
22 skeptical and said I'm skeptical, do you agree or  
23 whether his skepticism was after I looked at the  
24 ting. I'm not sure whether he coached me or not to  
25 getting a conclusion or whether he was simply



<p style="text-align: right;">48</p> <p>1 saying, look at this. So repeat the question, 2 please? 3 Q. If I understand correctly, you agreed 4 that the strategy that you looked at was not capable 5 of generating the returns that were being stated. 6 MS. REISBAUM: Objection. 7 Q. You can answer. 8 A. The strategy as described. 9 Q. Yes. 10 A. It's possible it was 11 mischaracterized, that there was something else 12 going on. The strategy as described, as I 13 understood it, so yes, I was skeptical that that 14 strategy as described could generate those returns. 15 Q. And we'll talk about this today at 16 some length and, again, I ask you to bear with me 17 because you'll feel like sometimes we're repeating 18 ourselves? 19 A. Yes. That's why I'm confused. 20 Q. Don't mean to confuse you at all. 21 Can you try to tell us, to the best of your ability, 22 why you were skeptical that the strategy as 23 described was not capable of generating these 24 returns? 25 MS. REISBAUM: Objection.</p>	<p style="text-align: right;">50</p> <p>1 would have months that were one or two percent and 2 months that were down a lot. 3 So it looked neither like pure fixed 4 income or pure equities. And if you had a hybrid, 5 if you did something that had strikes that were far 6 apart to give you let's say half the risk of the 7 equity market, just conceptually, it would look like 8 something that was half short-term bonds and half 9 equity market, so it would look as an average 10 between these two extremes. It didn't look like 11 that either. 12 So in terms either of its risk and 13 reward, it didn't look like what we call linear 14 combination, which means a weighted average of any 15 of these two limiting cases, one pure fixed income 16 and one that's pure equity, so -- so if -- if that 17 was where the return was coming from, that didn't 18 make sense to me. 19 The other possibility I thought was 20 that there was -- if someone were to pick stocks 21 very well and short the S&amp;P against it, somebody 22 could get a return series that looked like this. 23 It's possible. But then I would assume someone 24 would focus more time on how it is they were able to 25 pick these stocks. That would be what was the</p>
<p style="text-align: right;">49</p> <p>1 Q. You can answer. 2 A. Like I said before, that portfolio of 3 equities with a collar around it behaves either like 4 the equity market in the limine case, where the 5 collar is very wide, which means the strikes are 6 very far apart, or it behaves like a fixed-income 7 instrument, where the strikes are very close. 8 So in a limine case, where the 9 strikes are equivalent, you get the fixed-income 10 returns which would give you a short-term rate which 11 in the U.S. vary between one and five or six 12 percent, so that would give you between one and five 13 percent and the numbers that I remember were more in 14 the area of -- as an annual rate. Per year, not per 15 month. 16 Q. Per year. Not per month. 17 A. Yes. So the numbers I remember were 18 more in the area of ten percent so -- and the thing 19 is if someone had -- and the other limiting case 20 that the collar was very wide, you would have 21 something that looked very much like the equity 22 market, where the equity market, of course, had some 23 years where it was up ten percent, but it also had 24 years where it was down a lot. So the return series 25 of someone who had the equity market without a hedge</p>	<p style="text-align: right;">51</p> <p>1 important part of the strategy, not which options 2 they were doing -- in fact, someone doing that could 3 do the same thing with futures as opposed to 4 options. 5 So there was a long description of 6 the options that from my point of view weren't doing 7 anything useful. They weren't generating any 8 return, they were actually hedging something. And 9 if the person was very good at picking stocks, there 10 would be some discussion of how the person picked 11 stocks so well. So I couldn't see how that worked 12 either. 13 Q. You may have already -- I'm not 14 meaning to cut you off. 15 A. Some of the different possibilities I 16 thought of, right? So if the person was very good 17 at picking stocks, I would expect to see more about 18 that. If there was a question of finding value in 19 the options market opposed to always doing the same 20 options, if someone said, well, for instance, as an 21 example, whenever the volatility is like this, I 22 would do only the call, but other times I would do 23 only the put, or if they would look at the prices of 24 the options or look at the volatility of the options 25 to decide what to do, you can outperform that way as</p>



<p style="text-align: right;">52</p> <p>1 well.</p> <p>2 In fact, that's what my group was</p> <p>3 good at making recommendations about. So if there</p> <p>4 was some dynamic strategy that involved using</p> <p>5 quantitative signals about the market, the returns,</p> <p>6 et cetera, then I could see how that could work as</p> <p>7 well, but I didn't see anything dynamic like that.</p> <p>8 And also that would also involve a</p> <p>9 fair amount of risk because many quantitative</p> <p>10 strategies work most of the time. But when they</p> <p>11 don't, you see a very negative performance. So it</p> <p>12 wasn't consistent with a variety of things I knew</p> <p>13 about in terms of, you know, it's a long short fund.</p> <p>14 It's a volatility fund and the various categories I</p> <p>15 knew about didn't really -- none of those really fit</p> <p>16 the returns here.</p> <p>17 Q. Well, maybe you answered this, but</p> <p>18 what did the return profile look like to you?</p> <p>19 A. The return profile had very many, I</p> <p>20 would say, a vast majority of months that were</p> <p>21 positive and very few that were negative. I do need</p> <p>22 to say I have looked at information regarding this</p> <p>23 after the case, so it -- it's not entirely clear to</p> <p>24 me when I'm talking about something whether it's</p> <p>25 something that I remembered at the time or something</p>	<p style="text-align: right;">54</p> <p>1 If someone were doing a different</p> <p>2 type of business, right, was selling computer</p> <p>3 software or something, right, someone was running a</p> <p>4 casino, there are things more suitable to the type</p> <p>5 of business that makes money every month, so -- so I</p> <p>6 thought it would be suitable to something like that.</p> <p>7 So there are -- and there are hedge</p> <p>8 funds who have track records of doing very well for</p> <p>9 very long times, and also firms that do very well</p> <p>10 for very long times, but they're basically doing a</p> <p>11 variety of strategies, right, and they're choosing</p> <p>12 which ones to do, and allocating back and forth.</p> <p>13 And there's some -- you know, a bunch of strategies</p> <p>14 and a portfolio of strategies that when you put</p> <p>15 everything together, you can get a return series</p> <p>16 like this. But if you look at any individual one,</p> <p>17 it would not look as good, meaning you would have</p> <p>18 the same return, but much more risk.</p> <p>19 Q. Did you understand that Madoff was</p> <p>20 running a single strategy when you were --</p> <p>21 A. I only saw one strategy described on</p> <p>22 the web site. I also thought that, you know, maybe</p> <p>23 the returns are coming from the market making</p> <p>24 activities, right? Then that -- because when I</p> <p>25 looked at the web site, I saw it was a market maker.</p>
<p style="text-align: right;">53</p> <p>1 since then.</p> <p>2 Q. I appreciate that.</p> <p>3 MR. BOCCUZZI: So we should restate</p> <p>4 the question, then, or just reask it, or have the</p> <p>5 court reporter read it.</p> <p>6 Q. If you recall -- and I appreciate</p> <p>7 that sometimes it is difficult after the fact you</p> <p>8 learn things, but I'm trying to put your mind back</p> <p>9 --</p> <p>10 A. I recall that looking at the number</p> <p>11 of down months as one indicator, that looked like</p> <p>12 the return profile that's more characteristics of</p> <p>13 something else.</p> <p>14 Q. Of what?</p> <p>15 A. Well, there are many things that</p> <p>16 could result in something like that. If someone was</p> <p>17 only doing an agency business, a market making</p> <p>18 business, without taking much risk and making all</p> <p>19 the commissions, that would be the type of thing you</p> <p>20 would see. If someone had a diversified hedge fund</p> <p>21 or a fund of funds, were doing many different</p> <p>22 strategies, where each one of them had its variation</p> <p>23 but when you add them all up, they cancel out or</p> <p>24 something, right, then you could get something like</p> <p>25 that.</p>	<p style="text-align: right;">55</p> <p>1 So if someone was only doing market</p> <p>2 making, I can see how you make money every single</p> <p>3 month, because the way you lose money market making</p> <p>4 is, you know, basically you have an error or you --</p> <p>5 you know, something just goes wrong, but if you're</p> <p>6 always making markets without much risk in it in</p> <p>7 something that's liquid, it's possible to make money</p> <p>8 on a regular basis.</p> <p>9 Q. Did Mr. Markopolos explain Madoff's</p> <p>10 business to you or what you were looking at in terms</p> <p>11 of investment advisory accounts?</p> <p>12 A. No. I did not understand what the</p> <p>13 entity was. I -- I assumed it wasn't a hedge fund</p> <p>14 because hedge funds don't advertise, and I saw</p> <p>15 something about a broker/dealer, so I assumed I was</p> <p>16 looking at something that was a broker/dealer.</p> <p>17 Q. After your conversation with</p> <p>18 Mr. Markopolos that day in which you discussed</p> <p>19 returns and the market activity, did you speak with</p> <p>20 anyone else at Citi who we haven't discussed today</p> <p>21 outside of the sales desk people and the index desk</p> <p>22 about your conversation with Mr. Markopolos?</p> <p>23 MS. REISBAUM: Objection. Can you</p> <p>24 restate that question? I lost track.</p> <p>25 MR. FARLEY: It was a bad question.</p>



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1 Q. I'm trying to find out, Mr. Gross,  
2 we've talked about you speaking or having a  
3 conversation with the index desk, with the  
4 salespeople. I'm trying --  
5 A. That was --  
6 MS. REISBAUM: Hold on, let him get  
7 the question out.  
8 Q. I know what you're going to say,  
9 they're not meetings, I understand you just had a  
10 quick question to them, they gave you a quick  
11 answer. I'm trying to find out after that, did you  
12 speak to anyone else at Citi about Madoff in the  
13 time frame when you were about --  
14 A. No.  
15 Q. -- this conversation with  
16 Mr. Markopolos?  
17 A. No.  
18 MR. FARLEY: Let's take two minutes.  
19 (Recess taken.)  
20 (Exhibits Gross-1 and Gross-2 marked  
21 for identification.)  
22 Q. As a housekeeping matter here, let's  
23 go ahead and mark as Gross Exhibit 1 the protective  
24 order signed by Mr. Gross and Gross Exhibit 2, the  
25 protective order signed by Ms. Reisbaum. And also

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1 for the record, the court reporter has executed a  
2 protective order as well and the Cleary law firm has  
3 already executed a protective order as well.  
4 Going back to the conversation that  
5 you had with Mr. Markopolos that day regarding  
6 Madoff, did he ask you to do any further work upon  
7 his departure?  
8 A. No.  
9 Q. What was the next circumstance or  
10 time you recall meeting with Mr. Markopolos?  
11 A. Yes, I recall two meetings at Citi  
12 afterwards. I don't know if there was one in  
13 between so the answer is the next one I can't tell  
14 you. I can tell you there were further ones.  
15 Q. Again, all we can ask for is your  
16 best recollection involving an interaction with  
17 Mr. Markopolos?  
18 A. The next one in person was he came to  
19 the office and we met in a conference room and he  
20 showed me a business card and said he had a new job  
21 and the question was a personal thing, what's new  
22 with you, and also he told me about his new job.  
23 Q. And what was his new job?  
24 A. He's some kind of financial fraud  
25 investigator.

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1 Q. Were you and Mr. Markopolos the only  
2 people present in the conference room?  
3 A. I don't know.  
4 Q. And you mentioned that you recall  
5 this being the next in-person meeting. Did you have  
6 any other communication with him before that  
7 in-person meeting?  
8 A. I don't know.  
9 Q. Did the subject of Madoff come up  
10 during this meeting that you recall in the  
11 conference room?  
12 A. I don't remember, but it wasn't the  
13 primary topic of conversation. I don't know whether  
14 he mentioned it or not, but it wasn't what the  
15 conversation was about.  
16 Q. Was the conversation more focused on  
17 his new job?  
18 A. It was -- Yes. On his new job.  
19 Q. Just to the best of your  
20 recollection, do you recall discussing anything  
21 having to do with Madoff during that meeting?  
22 A. No. I don't.  
23 Q. And you said you recalled another --  
24 A. That's correct.  
25 Q. -- meeting with Mr. Markopolos. When

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1 was that and what do you recall?  
2 A. It was sometime in the Fall of 2008.  
3 It was in the cafeteria.  
4 Q. What cafeteria?  
5 A. There's a -- the buildings at 390  
6 Greenwich and 388 Greenwich, they're connected and  
7 there's a cafeteria of -- I don't know the name of  
8 the building, in Tribeca, in the cafeteria there on  
9 the first floor.  
10 Q. And what were the circumstances of  
11 you meeting with Mr. --  
12 A. Holly told me Harry was there, and  
13 you know, we would have lunch and Holly was there  
14 for, I would say, the first 20 minutes. And then I  
15 joined and then after 15 minutes, Holly left and she  
16 had to go back to the trading floor and we had some  
17 breakfast together.  
18 Q. And what do you recall discussing  
19 during that meeting in 2008?  
20 A. He was telling me more about his --  
21 his -- his work that he was working on different,  
22 you know -- he -- I believe the reason he was a --  
23 he was meeting with us was, first of all, he was in  
24 town and probably a social thing. But I think that  
25 in order to do fraud investigations, he needed



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<p style="text-align: right;">60</p> <p>1 information. So he would talk to people he knows, 2 have you heard anything that would help him in the 3 job. 4 So I think part of the reason was, do 5 you know anything, have you heard anything. And 6 then he told me some of the things that he was, you 7 know, I'm working on something like this, et cetera, 8 so that was most of the content of the meeting. 9 Q. Do you recall any discussion 10 involving Madoff during this 2008 meeting with 11 Mr. Markopolos? 12 A. No. 13 Q. You don't recall or there was no 14 discussion -- 15 MS. REISBAUM: Objection. 16 Q. I'm just trying to understand. 17 A. Your first question is, do you recall 18 and the answer is no, I don't. 19 Q. At any time before you left Citi's 20 employment in 2008, did you have any conversations 21 with others working at Citi about Mr. Markopolos's 22 suspicions regarding Madoff? 23 MS. REISBAUM: Objection. 24 Q. You can answer. 25 A. Apart from the time when Harry was in</p>	<p style="text-align: right;">62</p> <p>1 MR. FARLEY: I'm not entirely sure 2 what the objections here are for. This is a 2004 3 deposition. There's really no objections to be 4 made. 5 MS. REISBAUM: I think you misstated 6 his testimony. 7 Q. I'm certainly not trying to misstate 8 your testimony. 9 A. I've had discussion with counsel. 10 Q. I don't want to hear about that. 11 A. You don't care about that. It's a 12 topic in the news, so people talk about it. So are 13 you asking about, you know, whether there were any 14 topics that people talked about in the news or are 15 you asking whether there's anything that's related 16 to people who actually worked in the industry or 17 know about this. 18 Q. What I'm really trying to ask, 19 Mr. Gross, and I apologize if I'm not doing it well, 20 is your conversations with anyone working at Citi 21 while you worked there, or after you worked there 22 involving Madoff. Can you tell me about those? 23 A. Conversations with people working at 24 Citi, I haven't spoken to any Citi employees other 25 than counsel about Madoff since I left Citi.</p>
<p style="text-align: right;">61</p> <p>1 the office, no. 2 Q. Did you ever undertake to understand 3 or investigate whether Citi was involved in any 4 transactions involving Madoff or Madoff exposure? 5 MS. REISBAUM: Objection. 6 Q. You can answer. 7 A. I said I asked the salespeople and 8 the traders whether they knew of this customer 9 either indirectly or directly, so the answer is yes 10 that was my attempt to try to find out. 11 Q. Other than the inquiry you made that 12 particular day -- 13 A. While I was working there, no. 14 Q. Apart from any conversations you had 15 with counsel, have you had any conversations with 16 anyone after you worked at Citi involving Madoff? 17 MS. REISBAUM: Objection. 18 A. Can you be more specific? 19 Q. Well, I'm trying to understand 20 because you answered the question while I was 21 working there, no. I'm trying to understand, are 22 you making a distinction between while you worked at 23 Citi and after you left Citi that you might have had 24 discussions involving Madoff? 25 MS. REISBAUM: Objection.</p>	<p style="text-align: right;">63</p> <p>1 Q. That's all I'm trying to find out. 2 And just so we're clear, you 3 understand when I refer to Madoff, I'm referring to 4 Madoff or the broker/dealer. 5 A. The person or the business. 6 Q. Yes. 7 A. Or any related -- Yes. I understand. 8 MR. FARLEY: I'm going to mark as 9 Gross Exhibit 3, an email with Bates Number 10 CGMH00002769 which appears to be an email from 11 Mr. Markopolos to Mr. Gross dated Friday, June 29, 12 2007. 13 (Exhibit Gross-3 marked for 14 identification.) 15 Q. Mr. Gross, do you recognize what I've 16 handed you as Gross Exhibit 3? 17 A. I understand that you've handed me 18 something that's labeled. 19 Q. Is this an email that was sent to 20 you, Mr. Gross? 21 A. Yes. 22 Q. Do you recall receiving this email 23 from Mr. Markopolos? 24 A. No. 25 Q. Do you have any reason to believe</p>

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<p>1 so my guess is I probably in thinking about this</p> <p>2 compared it to the S&amp;P and in my mind they're --</p> <p>3 they're proxies for each other. For all intents and</p> <p>4 purposes they're very similar.</p> <p>5 Q. And what, if any, conclusions do you</p> <p>6 draw about the returns based on the similarities of</p> <p>7 the profiles?</p> <p>8 MS. REISBAUM: Objection. Today or</p> <p>9 at the time?</p> <p>10 MR. FARLEY: At the time.</p> <p>11 A. I said before that it looked neither</p> <p>12 like a fixed income result or an equity result or</p> <p>13 anything in between, so either the returns are not</p> <p>14 the returns or the strategy is not the strategy or</p> <p>15 there's something else going on that I'm not aware</p> <p>16 of, so ...</p> <p>17 Q. And, again, if you don't remember,</p> <p>18 you don't remember, but do you recall Mr. Markopolos</p> <p>19 ever providing you with a copy of a monthly</p> <p>20 brokerage account or confirmation from Madoff</p> <p>21 Securities?</p> <p>22 A. He never provided me any documents.</p> <p>23 Q. Did there come a time when you</p> <p>24 endeavored to learn whether Citi had any</p> <p>25 transactions involving Madoff or Madoff feeder fund?</p>	<p>1 have a conversation with anyone at Citi including a</p> <p>2 lawyer --</p> <p>3 A. No.</p> <p>4 Q. -- about Madoff or Madoff Securities?</p> <p>5 A. No. You asked many times if I had</p> <p>6 conversations at Citi, and I told you about the</p> <p>7 conversation I had.</p> <p>8 MR. BOCCUZZI: Just to be clear for</p> <p>9 everyone, I let Mr. Gross answer the question</p> <p>10 including a lawyer because in my view an answer</p> <p>11 whether yes or no is the equivalent of whether we</p> <p>12 logged something on a privilege log where it would</p> <p>13 say, Conversation, who was involved, and topic.</p> <p>14 MR. FARLEY: Agreed. No waiver.</p> <p>15 MR. BOCCUZZI: And that was in the</p> <p>16 nature of the answer.</p> <p>17 Q. In your transactions involving</p> <p>18 options over the years did you ever have an occasion</p> <p>19 to use or trade with a European counterparty for an</p> <p>20 option?</p> <p>21 A. I don't understand the question.</p> <p>22 Q. I'm asking --</p> <p>23 A. You're asking about my personal</p> <p>24 trades?</p> <p>25 Q. No. In your capacity at Citi did you</p>
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<p>1 MS. REISBAUM: Objection.</p> <p>2 Q. Again, I'm setting aside when you</p> <p>3 queried the desk, the index desk --</p> <p>4 A. And anything that's privileged?</p> <p>5 Q. No. Nothing privileged.</p> <p>6 A. Then no.</p> <p>7 Q. Let me ask you this just to be clear.</p> <p>8 Not in preparation for this deposition. While you</p> <p>9 worked at Citi did you ever have a conversation with</p> <p>10 anyone including a lawyer about Citi's dealings with</p> <p>11 Madoff or Madoff Securities?</p> <p>12 A. After the news broke? After the news</p> <p>13 broke or before?</p> <p>14 MR. BOCCUZZI: That was when you were</p> <p>15 not with Citi anymore.</p> <p>16 MS. REISBAUM: Can we be clear again</p> <p>17 that you're not looking for privileged information?</p> <p>18 MR. FARLEY: The fact of the</p> <p>19 conversation is not privileged. I'm just asking. I</p> <p>20 suspect the answer is no.</p> <p>21 A. The timeline is I left in November.</p> <p>22 The news broke in December, but I was officially</p> <p>23 still employed until February, so you'll have to be</p> <p>24 more specific.</p> <p>25 Q. Before the news broke did you ever</p>	<p>1 support the --</p> <p>2 A. I was responsible for salespeople in</p> <p>3 Australia, Europe, Japan, and Hong Kong, and the US,</p> <p>4 so the answer is it was -- I was -- I was a research</p> <p>5 person, so we provided services to customers in</p> <p>6 every region about every product.</p> <p>7 Q. Maybe you've already answered this,</p> <p>8 but as a research head if one of your salespeople</p> <p>9 wanted to know about volumes of OEX Index options</p> <p>10 traded both on a listed exchange and</p> <p>11 over-the-counter how would you go about --</p> <p>12 A. The exchange -- Every day the volume</p> <p>13 and open interest are available on things like</p> <p>14 Bloomberg, Reuters, et cetera, so if someone asked a</p> <p>15 particular question on a particular day I would look</p> <p>16 at the Bloomberg screen. We also download every --</p> <p>17 everything from every market and save it in</p> <p>18 databases, so if somebody says I want to look at the</p> <p>19 total open interest or volume for IBM or anything</p> <p>20 else I could write a program or have programs that</p> <p>21 would pull that time series out, so in terms of</p> <p>22 listed stuff there's multiple source information,</p> <p>23 exchange the primary source which the information is</p> <p>24 reflected again, things like Bloomberg, Reuters, our</p> <p>25 system, et cetera. The Exchange publishes</p>

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<p style="text-align: right;">120</p> <p>1 statistics, and the OCC which is the Options 2 Clearing Corp., not the other OCC, which also has 3 statistics. I don't know whether the statistics are 4 by ticker or whether it's by, you know, category, 5 all the equity options, so if somebody asks about 6 listed stuff, right, I would look on Bloomberg, look 7 on our system, the Exchange, et cetera. I would do 8 one of those things. We have the information, and 9 the question is, you know, they might want -- You 10 know, we may have to add it up. There may have to 11 be some additions, et cetera, but the source is 12 always the Exchange, and then the only question is 13 in what format are we pulling it out, in what format 14 are we presenting it. That's for the listed. 15 Q. And for the Exchange -- 16 A. List the same thing as the Exchange. 17 Q. I'm sorry. For over-the-counter? 18 A. Over-the-counter, I assume there's 19 some regulator that keeps track of total aggregate 20 outstanding, but it's not by ticker. As I said 21 before, I would ask around essentially and, you 22 know, see how much we did and see how much is quoted 23 and give a sense from people, traders and 24 salespeople, you know, how much do you see, how much 25 do you do, how much of the market are we. There are</p>	<p style="text-align: right;">122</p> <p>1 sense of when does the strategy group get involved 2 with other parts of the bank who, for example, might 3 be offering total-return swaps linked or referenced 4 to a Madoff feeder fund? 5 MS. REISBAUM: Objection. 6 Q. Was it not normal for your group to 7 get involved? You weren't always involved in 8 derivatives that are being offered by the banks? 9 I'm just trying to understand this. 10 A. We weren't involved in any 11 transactions linked to hedge funds. Our stuff 12 involved publicly-listed securities. 13 Q. I probably should have asked you that 14 before. 15 A. I wouldn't even know what a 16 transaction looks like or how it's structured. It's 17 not something I do. It's like asking something 18 completely out of someone's field. I have a 19 familiarity of the world but not that part of the 20 world. 21 Q. Just to be clear, your group did not 22 support hedge fund transactions that the bank might 23 be engaged in, strategy group? 24 MS. REISBAUM: Objection. 25 A. Your question is ambiguous. By</p>
<p style="text-align: right;">121</p> <p>1 also some surveys that -- that customers, you know, 2 talk about how much commissions or volumes, so 3 there's some sense we can figure out from the market 4 as well. 5 Q. Are you familiar with an entity named 6 Auriga International? 7 A. Am I familiar now or before I left 8 Citi? 9 Q. Before you left Citi. 10 A. No. 11 Q. Were you ever asked to have any 12 involvement in a swap transaction between Auriga and 13 a Citi entity? 14 A. No. 15 Q. Before preparation for this 16 deposition were you aware that a Citi entity had 17 conducted a total rate swap transaction with a Swiss 18 hedge fund named Auriga? 19 A. No. 20 Q. Would it be standard practice or 21 standard operating procedure for your group to be 22 consulted if a Citi entity was structuring or 23 offering a derivative equities product? 24 MS. REISBAUM: Objection. 25 Q. I guess I'm trying to have a better</p>	<p style="text-align: right;">123</p> <p>1 "hedge fund" do you mean linked to hedge fund or 2 done by hedge fund? 3 Q. Done by hedge fund. 4 A. Most of our customers were hedge 5 funds, and that's who I spoke to all the time, and 6 they were trading publicly-listed securities. I 7 helped hedge funds trade securities. I didn't get 8 involved with the structuring of derivatives whose 9 underlying asset was a hedge fund, so there's a lot 10 of involvement with hedge funds but not that part of 11 the hedge fund. 12 Q. And I suspect I know the answer to 13 this, but before becoming -- 14 MR. FARLEY: Strike that. 15 Q. Before your deposition and getting 16 prepared for it were you aware that Citibank had 17 made a loan of approximately \$300 million to a hedge 18 fund owned by Tremont? 19 A. No. 20 Q. Did you ever learn whether Citi as a 21 bank had a view on Madoff or Madoff exposure? 22 MS. REISBAUM: Objection. 23 Q. Prior to you leaving in November of 24 2008? 25 A. No.</p>

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1 Q. Are you familiar or do you know Erwin  
2 Parviz?

3 A. No.

4 Q. I'm going to ask you a couple names.  
5 Marc Fisher?

6 A. The name sounds familiar, but there  
7 are a lot of Fishers.

8 Q. Sean Flanagan?

9 A. Again, common name, but no.

10 Q. Vishal Mishra?

11 A. No.

12 Q. Ramesh Gupta?

13 A. Yes.

14 Q. How do you know him?

15 A. My group was programming because we  
16 were doing -- I guess we call it strategy, but we  
17 call it analysis, both to write reports and to  
18 provide it for customers, so the databases that we  
19 used for the information were the same databases  
20 that the firm used to keep track of -- I said before  
21 we downloaded the entire -- Every day we downloaded  
22 all the options. Right? Well, that's stored  
23 somewhere, and that's called a para drive, which  
24 means instead of pulling out you know just one day  
25 you could pull out the -- let's say the option for

1 (Recess taken.

2 MR. FARLEY: Back on the record at  
3 1:51.

4 Q. Mr. Gross, given your area of market  
5 research, why is it that you did not record or  
6 otherwise memorialize your conversations with  
7 Mr. Markopolos regarding Madoff?

8 MS. REISBAUM: Objection.

9 A. I had thousands of conversations  
10 working at Citi, most of which I didn't take notes  
11 on.

12 Q. I guess what I'm trying to understand  
13 is those thousands of conversations probably weren't  
14 of the nature of someone suspects someone's a fraud.  
15 I'm trying to understand in terms of a  
16 market-research perspective whether you, in fact,  
17 memorialized or otherwise reported this market bit  
18 of information and, if not, why not?

19 MS. REISBAUM: Objection.

20 A. Well, what actually was there is  
21 there was no information to record. Right? That  
22 wasn't a volume, and there wasn't anything going on,  
23 so, you know, research actually is about something.  
24 I asked the question, and the answer I got is there  
25 was no activity.

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1 the whole time series, so it's stored in different  
2 ways, so the database that we use was the same  
3 database that -- that he used. Either he was  
4 responsible for, et cetera, so -- so -- so we shared  
5 common databases about -- that we used to pull  
6 information out to do our analysis. Sort of common  
7 information about IBM options or something like  
8 that.

9 Q. What did you understand Mr. Gupta's  
10 role at Citi to be?

11 A. I wasn't very clear about what he  
12 did. I knew he wasn't a trader or sales function.  
13 I knew he was in some support function. I don't  
14 know exactly. Probably had something to do with a  
15 support function that had some technical aspect to  
16 it because of the data.

17 Q. What about Brian Leach?

18 A. I don't know Brian Leach.

19 Q. I take it, Mr. Gross, you have no  
20 personal investment with or through Madoff  
21 Securities?

22 A. My investments were with -- were  
23 through Citibank. Citigroup.

24 MR. FARLEY: Why don't we give me a  
25 couple minutes to gather my thoughts.

1 Q. Which didn't square with what was  
2 being reported as you read it. Correct?

3 MS. REISBAUM: Objection.

4 A. It wasn't my normal course of  
5 business -- of my responsibilities to investigate  
6 other participants in the market.

7 Q. During your discussions with  
8 Mr. Markopolos did he or you ever discuss reporting  
9 Madoff to the SEC or any other regulatory agency?

10 MR. BOCCUZZI: Just to make an  
11 objection, you say "discussions" in the plural. I  
12 think he discussed one, but I just want to -- So  
13 there's no confusion.

14 Go ahead now and answer the question.

15 Q. To the best of your recollection.

16 A. There was no discussion like, We're  
17 going to do this, We should do this, et cetera. Did  
18 I say something about, you know, maybe someone  
19 should be closed down or something? I may have said  
20 something like that without saying who.

21 Q. A couple of times today you've  
22 answered the question with an appropriate modifier  
23 of "while I was at Citi." I just want to ask this  
24 question to make sure the record is clear. Did you  
25 do any further investigation or any investigation,